

Qualifying for Small Business Health Care Tax Credits

If you are a small business owner, you may qualify for the federal [Small Business Health Care Tax Credit](#) to help pay for the cost of your employees' health coverage. The tax credit may be worth up to 50 percent of your company's contribution to employees' premium costs.

Does my business qualify for the Small Business Health Care Tax Credit?

Businesses must meet the following criteria to qualify for the tax credit:

- Purchase health insurance through the Small Business Health Options Program (SHOP) Marketplace.
- Employ fewer than 25 [full-time equivalent](#) employees (FTEs).
- Pay at least 50 percent of its employees' monthly health insurance premiums.
- Employ individuals who earn less than an average of \$50,000 annually.

You may also use the [Small Business Tax Credit Calculator](#) to see the estimated amount of financial help available to your business to help lower the cost of employee health coverage.

How can I calculate the number of full-time equivalent employees at my business?

To qualify for the Small Business Health Care Tax Credit, your business must have fewer than 25 FTEs. The following will help you determine the number of FTEs when you apply for the Small Business Health Care Tax Credit:

- Add the total hours of service for which you paid wages to employees during the year, but no more than 2,080 hours for any individual employee.
- Divide that total by 2,080.
- If the result is not a whole number, round to the next lowest whole number.
- If the result is 24 or fewer full-time equivalents, you may qualify for the tax credit.

What is the maximum Small Business Health Care Tax Credit that my business may qualify for?

The maximum federal Small Business Health Care Tax Credit is worth 50 percent of your business' share of employee premiums. A business must have more than one, but fewer than 10, FTEs who earn less than an average of \$25,000 annually to receive the maximum 50 percent credit. The amount of financial help available decreases as the number of employees and average wages increase.

You will apply for the tax credits when you file your taxes.

What if my business does not owe taxes at the end of the year?

If your business does not owe taxes this year, you may apply the tax credit back or forward to other tax years. Because your share of the employee premium payments is more than the total credit, you can still claim a business expense deduction for the premiums in excess of the credit. That is both a credit and a deduction for employee premium payments.

If your business is tax-exempt, the credit is refundable, so you may qualify to receive the credit as a refund as long as it is not greater than your income and Medicare tax obligations. Tax-exempt nonprofits may qualify for a refundable credit worth up to 35 percent of employer premium costs.

How can I claim the Small Business Health Care Tax Credit?

You must use [Form 8941](#), also known as the Credit for Small Employer Health Insurance Premiums, to calculate the amount of credit available. If you are a small business, you should include the amount of credit available on your tax return. If you are a tax-exempt organization, include the amount of credit available on your Form 990-T, or Exempt Organization Business Income Tax Return. If you do not usually file the Form 990-T, you must do so in order to claim the credit.

Learn more and get help claiming your credit at <http://www.irs.gov/pub/irs-pdf/i8941.pdf>.